

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(92) 198 final

Brussels, 7 May 1992

Proposal for a

COUNCIL REGULATION (EEC)

opening Community quotas for imports
of certain kinds of footwear originating in China

(presented by the Commission)

EXPLANATORY MEMO

1. This proposal is made under the procedure laid down in Article 9(4) of Regulation (EEC) No 3420/83, which requires the Commission to refer the matter to the Council in the event of disagreement with a Member State regarding changes to be made to the import arrangements for products from state-trading countries.
2. Pursuant to Article 10 of that Regulation, on 23 March 1992 France informed the other Member States and the Commission of its decision to introduce safeguard measures in respect of footwear imports from China. The French measures provided for the opening of three quotas, breaking down as follows:

			Pairs
-	ex 64 03 ex 64 05	footwear with uppers of leather or composition leather	3 146 000
-	ex 64 04 ex 64 05	sports footwear with outer soles of leather or composition leather; other footwear with uppers of textile materials	23 310 000
-	ex 64 03 ex 64 04 ex 64 05	slippers and other indoor footwear	24 730 000

These quotas were adopted for a twelve-month period, beginning on 23 March 1992.

3. In view, in particular, of their implications for the completion of the single market, the French measures were discussed within the Advisory Committee for the East European Countries as provided for by Article 8 of Regulation (EEC) No 3420/83. The upshot was that the Commission and the great majority of Member States took the view that, on the eve of the single market, these national measures were inappropriate, but that the national quantitative restrictions already applied to the products by other Member States made necessary a Council Regulation opening Community quotas for the products in question.
4. This view is borne out by the Community industry's present difficulties. Since it is having to adjust to both completion of the single market and stiffer competition from abroad, it is important that it should not be destabilized by an excessive surge in imports.

For footwear in general, the overall trend in the Community in the period 1985-90 was adverse: the Community's market share fell by 20%, while apparent consumption rose by 19%. Most of the increase was accounted for by imports from outside the Community, which rose by 85% in that period. China, the leading exporter, has more than doubled its exports to the Community. At the same time Community exports are effectively barred from entering China.

While, last year, total imports from outside the Community were 35% up on 1990, those from China increased by 97%, far more than the average. Growth was even more rapid in some of the most sensitive areas for Community producers, such as leather town shoes (up 140% on 1990) or leather sports shoes (up 292%).

In 1990, non-Community imports took 34% of the market: last year's substantial increase and the relative stability of consumption suggests that this market share will increase appreciably.

Annexed is a table showing trends in imports into the Community of the products in question.

5. The purpose of this proposal is the establishment of Community quotas. The Commission believes that the quotas should be based on the average level of imports into the Community of the products in question for the last three years for which statistics are available and that codes should be used for the goods which will enable Chinese export figures to be compared with Community figures on imports.

The six-digit codes of the Harmonized System (HS) nomenclature would generally seem to be the most suitable. The quotas could then be broken down as follows:

CN CODES	Annual value (ECU '000)
6402 19	10 900
6402 99	42 300
6403 19	15 600
6403 51	800
6403 59	8 200
6403 91	5 500
6403 99	40 600
6404 11	53 300
6404 19 10	23 500

6. The quotas would be opened from the date of this Regulation's entry into force until 31 December. They would be calculated pro rata, on the basis of the annual values, for the duration of this Regulation.
7. This measure could make it difficult for some Community importers to match past turnover, mainly because imports of the products concerned are not restricted in some Member States.

IMPORTS BY EUR-12 FROM CHINA IN '000 ECU

(1)	(2)	(3)	(4)	(5)	(6)
NC CODES	1989	1990	1991	Average 1989-1991 QUOTAS	1991/1989 % change
640219	3 969	7 518	20 820	10 769	+ 424.6
640299	17 954	32 875	76 115	42 315	+ 323.9
640319	2 906	8 829	34 631	15 455	+1091.7
640351	656	314	1 428	799	+ 117.7
640359	8 655	5 875	10 186	8 239	+ 17.7
640391	764	2 876	12 670	5 437	+1558.4
640399	17 927	30 235	72 221	40 128	+ 302.9
640411	36 179	49 601	72 991	52 924	+ 101.7
64041910	15 723	20 428	33 978	23 376	+ 116.1
Total under quota	104 733	158 551	335 040	199 442	+ 219.9

Source: Eurostat, Comext

proposal for a
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THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community,
and in particular Article 113 thereof,

Having regard to the proposal from the Commission,

Whereas Council Regulation (EEC) No 3420/83 of 14 November 1983 on import arrangements for products originating in state-trading countries, not liberalized at Community level,¹ as last amended by Regulation (EEC) No ... of ...,² applies to imports of products originating in China;

Whereas on 23 March 1992 France, pursuant to Article 10 of Regulation (EEC) No 3420/83, informed the other Member States and the Commission of its decision to introduce safeguard measures in respect of footwear imported from China; whereas the French measures provided for the opening of three separate quotas for different types of footwear for a twelve-month period starting on 23 March 1992;

Whereas imports of footwear originating in China have increased very considerably in recent years throughout the Community; whereas this unrelieved pressure threatens serious injury to Community producers;

Whereas, in accordance with Council Decision .../..., other Member States have opened quotas for imports of products originating in the state-trading countries for the year 1992; whereas part of these quotas concerns imports of footwear originating in China;

¹ OJ No L 346, 8.12.1983, p.6.

² OJ No L ..., ..., p...

Whereas the application of national measures threatens the proper working of the internal market, and on the other hand the national quantitative restrictions applied to these products in other Member States make necessary a Council Regulation opening Community quotas for the products in question;

Whereas in accordance with Regulation (EEC) No 2616/85 of 16 September 1985 on the conclusion of a trade and economic cooperation Agreement between the European Economic Community and the People's Republic of China, and in particular Article 6(1) thereof,¹ consultations were held and the Chinese authorities informed of the French measures; whereas, in view of the injury caused to the Community industry by the considerable increase in China's exports of the products in question, the Chinese authorities were informed that Community quotas were planned;

Whereas these Community quotas should be based on the average level of imports into the Community of the products in question for the last three years for which statistics are available and codes should be used for the goods to enable Chinese export figures to be compared with figures on Community imports; whereas the six-digit codes of the Harmonized System (HS) nomenclature would generally seem to be the most suitable;

Whereas Council Regulation (EEC) No 1023/70 of 25 May 1970 establishing a common procedure for administering quantitative quotas,² as last amended by the Act of Accession of Spain and Portugal, laid down rules on Community quotas; whereas administrative and technical factors make it necessary to divide the quota between Member States, and the criteria by which this is to be done must be established,

1 OJ No L 250, 19.9.1985, p. 2.

2 OJ No L 124, 8.6.1970, p.1.

HAS ADOPTED THIS REGULATION:

Article 1

From the date of this Regulation's entry into force until 31 December 1992, the following Community quotas shall apply to the footwear of Chinese origin mentioned below:

CN CODES	Annual value (ECU '000)
6402 19	10 900
6402 99	42 300
6403 19	15 600
6403 51	800
6403 59	8 200
6403 91	5 500
6403 99	40 600
6404 11	53 300
6404 19 10	23 500

The value of the quotas shall be calculated pro rata, on the basis of the annual value, for the duration of this Regulation.

Article 2

1. From the date of this Regulation's entry into force until 31 December 1992, imports of footwear falling within the CN codes listed in Article 1 and originating in China shall be subject to presentation of an import authorization.
2. As soon as the measures provided for in Article 3 have been adopted, an import authorization shall be issued within fifteen working days of an application being lodged, upon presentation by the applicant of a purchase contract for all the amounts requested.

The authorization shall be valid for two months.

Article 3

The quotas established in Article 1 shall be apportioned on the basis of traditional trade flows and estimated needs, in accordance with the procedure laid down in Article 11 of Regulation (EEC) No 1023/70.

Article 4

The national quantitative restrictions and quotas for which Articles 2, 3, 9 and 10 of Regulation (EEC) No 3420/83 provide shall be replaced, in so far as they concern products falling within Chapter 64 of the Combined Nomenclature, by the measures laid down in this Regulation.

Article 5

This Regulation shall enter into force on the third day following its publication in the Official Journal of the European Communities.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, ...

For the Council
The President

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